



RESIDENTIAL UTILITY CONSUMER SERVICE OFFICE

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Jane Dee Hull  
Governor

Greg Patterson  
Director

December 23, 1998

Carl W. Dabelstein  
Vice President Regulatory Affairs  
Public Service Sector  
Citizens Utilities Company  
2901 North Central Avenue, Suite 1660  
Phoenix, Arizona 85012

Arizona Corporation Commission

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AZ CORP COMMISSION  
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Re: Unbundled and Standard Offer Tariffs, Docket No. E-01032C-97-0774

Dear Mr. Dabelstein:

Thank you for meeting with us to discuss RUCO's concerns about your proposed Unbundled and Standard Offer Tariffs filing. As we agreed, RUCO will not object to the proposed tariffs, based on our understanding of the following.

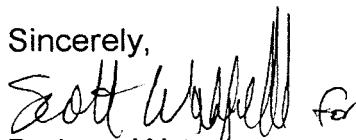
Those costs associated with the Valencia generating facilities that are functionalized to either distribution or transmission service shall not otherwise be charged to retail customers, nor shall they be charged to Energy Service Providers in any way. Thus, the unbundled retail price for generation services for Citizens' Standard Offer customers shall not include recovery of any costs attributable to the Valencia facilities.

Citizens will dispatch the Valencia facilities to meet emergency conditions brought about by a transmission outage or low-voltage on the WAPA transmission system, or other service interruptions within Citizens' Santa Cruz County service territory, and for no other purpose. This backup service will be provided to all Santa Cruz County customers, whether they are taking Standard Offer or competitive generation service. During the time that this tariff is in effect, competitive Energy Service Providers will not be levied any additional charges for such service.

Carl W. Dabelstein  
December 23, 1998  
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In addition, RUCO wishes to be clear that it does not believe that the treatment described above with respect to the Valencia facilities would necessarily be appropriate for other must-run units in other load pockets. RUCO does not object to such treatment for the Valencia facilities only because it is the sole must-run unit in the Nogales load pocket.

Sincerely,

A handwritten signature in dark ink, appearing to read "Barbara Wytaske", followed by a small "to" or similar mark.

Barbara Wytaske  
Deputy Director

cc: Docket Control